

# CONTEMPORIZING ESTABLISHED MARKETS



In established markets like the U.S. and Continental Europe, direct selling is a potent competitive advantage because it offers women convenient and personal service that cannot be found in department stores or other retail outlets. Avon is strengthening direct selling in these markets by leveraging the power of its direct-to-the-customer channel in innovative new ways.

Growth starts with Avon's renovated lines of cosmetics, fragrance and toiletries, especially global brands. In the U.S., sales of global brands in 1997 grew 13%. In Continental Europe, they grew 17% and now account for 38% of CFT revenues.



**A Fragrant Portfolio**  
*Josie and Starring* are among  
Avon's exciting lineup of  
global fragrances.

## Global Imagery

Avon is strengthening its global beauty image by advertising more consistently. The company plans to increase advertising investments to about 3% of net sales over the next few years.



With beauty as the foundation, Avon in established markets is pursuing more customers by making direct selling more attractive for Representatives; making it easier for women to buy Avon products; and marketing a more vibrant beauty image through increased promotional spending.

**Supporting Representatives.** Helping new Representatives enjoy a successful start is an important avenue for accelerating growth. Avon U.S. in 1997 launched a pilot program in four sales divisions that gave new Representatives expanded contact and training with their district sales managers, extra support through a toll-free "hotline," and easier placing of customer orders via touch-tone telephone. The Representatives also were given larger quantities of a smaller sales brochure focusing on higher-margin color cosmetics, fragrance and skin care products.

Results demonstrate that new Representatives in the test found their initial experience in selling Avon to be easy and profitable. The average number of customers served by a Representative during a typical three-campaign test period climbed over 25%, and retention of new Representatives improved. The test is being continued in 1998 in several sales divisions.

Women become Avon Representatives for many reasons: to earn income, to pursue business and personal goals, and to enjoy friendships with colleagues and customers. Some Representatives aspire to expand their association with Avon into entrepreneurial careers. In 1998, Avon is introducing programs to inspire Representatives to pursue their goals and to show them how to build their businesses.

For example, at Avon's annual sales conference in the U.S. last summer – where district sales managers previewed the fourth quarter product line – some 800 Representatives for the first time came for their own product preview and to explore strategies for increasing sales during the Christmas selling season.



**Established Appeal**  
Global fragrances like *Far Away* and *Rare Gold* continue to attract new customers in established markets with their appealing scents and sophisticated beauty imagery.

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Building on this concept, Avon U.S. will host the first National Representative Convention in Orlando in August 1998. More than 5,000 career-minded Representatives will enjoy opportunities for networking, training in selling and product knowledge, business and financial management, and other topics relevant to entrepreneurial women.

The company will also test training programs in several locations for helping Representatives build their businesses by combining product sales and new Representative recruiting.

**New Access For New Customers.** Avon's research shows that while most Avon customers prefer to be served directly by a Representative, others want to access Avon in different ways, based on their preferences and lifestyles. Still other women, who regard Avon favorably but are not yet customers, want a choice of purchase options. That's why Avon is calling on new customers with innovative access avenues that work side-by-side with the core direct selling channel.

In the U. K. – where Avon has the highest market penetration of any direct seller, with seven Representatives serving every 1,000 women – the company is prospecting for new customers and reconnecting to stranded ones who are no longer served by an Avon Representative.

Through its "Consumer Safety Net" program, Avon U.K. uses national advertising to inform women that they can access Avon via telephone, reply-paid coupon or the Internet. Consumers can choose to be served by a Representative or buy products directly from the company. They also can become Representatives themselves. Current Representatives participate by agreeing to serve customer leads generated by the program.

Results-to-date show that Consumer Safety Net is putting Avon in touch with women who normally are not served by the traditional direct selling channel. Moreover, the new customers are purchasing more than three times as much as traditional customers.

Avon is also reaching new customers through its Internet site on the World Wide Web ([www.avon.com](http://www.avon.com)) and the *Avon Beauty & Fashion By Mail* direct mail catalogue in the U.S. Research shows that these initiatives are reaching incremental new customers who are spending more on beauty.

### Direct Selling Energy

Avon is providing more training and resources to help Representatives build their businesses and achieve personal goals.



**FIRST TIME EVER!**  
Avon Representative  
National Convention



### Career Representatives

Representative Michelle Uhrick of the U.S. is building her Avon business by successfully selling Avon beauty brands and by recruiting and training new Representatives.



### Anew World

The reformulated *Anew* line relaunched in 1997 as Avon's breakthrough technology, anti-aging skin care offering. Sales of *Anew* worldwide exceeded \$190 million in 1997.



In Spring 1997, Avon launched its renovated web site and became the first major beauty company to enable consumer-purchase online. Some one million consumers visited *avon.com* last year to buy products and learn about beauty and fitness. They also could link to information about Avon and its programs, including becoming an Avon Representative, through the home page or via the America Online Marketplace. *Computer World Magazine* last year named *avon.com* as the best online shopping site.

Sales from *Avon Beauty & Fashion By Mail*, the company's U.S.-based direct mail catalogue, also show continuing potential for attracting new customers to Avon. First launched in 1995, the catalogue last year generated an average order almost double that of the core business. The test will expand significantly during 1998 to determine the long-term potential of direct mail in the U.S.

**Fixed Access.** Borrowing a page from the developing markets, Avon's established markets are exploring their own fixed access strategies to generate customer growth.

In Japan, Avon now has 5,000 "store dealers," who are specially appointed Representatives who sell to their customers in local stores. Sales from these dealerships grew 26% in 1997 and introduced more than 80,000 new customers to Avon. Store dealerships are serving a segment of the population that prefers in-store shopping, and they help participating Representatives to augment their income.

Avon Japan also has opened a Beauty Center in Tokyo to generate greater consumer awareness of Avon, showcase the company's products, and serve as a contact and service site for Representatives and sales managers.

Avon U.S. is experimenting with fixed locations, too. In Tampa and San Francisco, for example, Avon Express Centers up to now have served Representatives with faster fulfillment of their customers' orders. In 1998, Avon U.S. will open several new Express Centers and test the option of direct consumer purchase. The Express Centers also will provide Representatives with training and support, as well as with leads on new customers who visit the Centers.

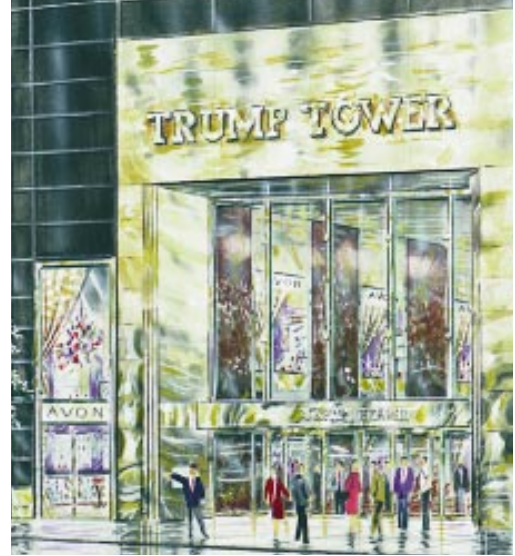
**Accessible Avon**  
Tests of direct mail and Internet shopping are helping Avon reach new customers.



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### New Dimensions in Beauty

In Fall 1998, Avon will open a high-profile image center at the crossroads of Fifth Avenue and 57th Street in New York City. The center will showcase Avon's global brands and offer beauty, salon, spa and other services to women.



Similarly, Avon U.S. will test the viability of mall carts in shopping malls in select locations around the country. These product carts will display an upscale beauty image, showcase the company's beauty brands, and encourage customer trial.

**The Face Of Beauty Around The World.** As global competition intensifies, a quality beauty image is a critical tool for building brand awareness and attracting new generations of women to Avon.

In 1997, the *Dare to change your mind about Avon* advertising campaign encouraged women to take another look at Avon. The campaign, which followed the successful 1996 *Just Another Avon Lady* advertising, increased the volume of calls to 1-800-FOR-AVON, the company's toll-free consumer service line. It also helped improve consumer awareness of the Avon beauty brand in every quarter of 1997.

Importantly, Avon is advertising more globally than ever before, as *Dare to change your mind about Avon* appeared in several countries outside the U.S. Avon markets around the world are adopting the consistent and upscale imagery now available through the company's global database of product and model photography. Looking forward, Avon plans to increase investments in global advertising to about 3% of net sales by the year 2000.

Avon also plans to launch a series of exciting image-building programs. In Spring 1998, the company will launch *Athena: Common Sense, Uncommon Style*, a magazine for women that will be sold mainly through Avon Representatives. Avon's goal with *Athena* is to strengthen the company's beauty image and enhance its role as a beauty authority, as well as to attract new customers.

In Fall 1998, the company will open a global image center in the heart of the world's beauty and fashion capital – New York City. The center will showcase global brands, provide health and fitness information, offer spa services, and position Avon as the preeminent global company committed to serving women.



**Grassroots Appeal**  
The magazine *Athena* and *Avon Running*, both launching in 1998, will help position Avon as a woman's company and attract new customers.



### A Colorful Trend

Avon's *Color Trend* will launch in 1998 as a value-priced complement to *Avon Color* targeted for a younger customer. *Color Trend* will unify many local and regional color brands under one image-enhancing global brand umbrella.



In Spring 1998, Avon returns to the world of women's running and fitness with *Avon Running – Global Women's Circuit*. Unprecedented in the world of sports, *Avon Running* provides access to women of all ages to pursue elite racing, moderate running, or simple fitness in one unified international circuit. The program will include 10K races, 5K fitness walks, and pre-race health and fitness clinics in 11 U.S. cities and 15 international markets.

The winner of each national championship earns a trip to the *Avon Running – Global Women's Championship*, the richest 10K road race in women's running with a total prize purse of \$50,000. The race will be held in Spring 1999.

Avon Representatives, products and advertising will be integrated into the global program to generate grassroots awareness of Avon as a company committed to women's needs and aspirations. Through Avon's association with local running clubs, the program also will help fund grassroots women's running and fitness programs.

Reaching new customers in established markets is critical for Avon's long-term expansion. These and other exciting initiatives for contemporizing direct selling will strengthen Avon's competitiveness and help deliver accelerated sales and profit growth in the new millennium.



### The Avon Express

Express Centers like this one in Tampa, Florida will help generate local visibility for Avon and enhance Representative recruiting and customer growth.

